

**OFFICES OF THE
STATE AUDITOR OF MISSOURI
JEFFERSON CITY**

**SPECIAL REVIEW OF
THE VITAL RECORDS SECTION
OF THE DEPARTMENT OF HEALTH
AND HOSPITALS**

CITY OF ST. LOUIS

MARGARET KELLY, CPA



**SPECIAL REVIEW OF THE VITAL RECORDS SECTION
OF THE DEPARTMENT OF HEALTH AND HOSPITALS
CITY OF ST. LOUIS, MISSOURI**

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-2
EXECUTIVE SUMMARY	3-4
MANAGEMENT ADVISORY REPORT	5-11

<u>Number</u>	<u>Description</u>	
1.	Missing Funds	6
2.	Vital Records Section's Accounting Controls and Procedures.....	7
3.	Compliance With Revised Code of the City of St. Louis	10



STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

(314) 751-4824

Honorable Vincent C. Schoemehl Jr., Mayor
and
Chester Hines Jr., Acting Director
Department of Health and Hospitals
St. Louis, Missouri 63103

We have conducted a special review of the Vital Records Section of the city of St. Louis, Department of Health and Hospitals, Division of Health. The scope of the special review included, but was not limited to, the period of May 1, 1986, to April 30, 1987. The purposes of this review were to:

1. Investigate suspected irregularities in the record-keeping system.
2. Determine the dollar impact of these irregularities.
3. Review and evaluate certain controls and procedures regarding the collection of and accounting for the receipt of birth and death certificate copy fees.
4. Determine compliance with applicable sections of the Revised Code of the city of St. Louis.

Our review was limited to the specific matters described above and was made in accordance with generally accepted government auditing standards and, accordingly, included such tests, interviews, and such other auditing procedures as we considered necessary in the circumstances. In this regard, we reviewed the records and procedures of the Vital Records Section and interviewed Division of Health personnel. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings, comments, and recommendations concerning this review.

Margaret Kelly

Margaret Kelly, CPA
State Auditor

August 24, 1988

EXECUTIVE SUMMARY

**SPECIAL REVIEW OF THE VITAL RECORDS SECTION OF
THE DEPARTMENT OF HEALTH AND HOSPITALS
CITY OF ST. LOUIS, MISSOURI
EXECUTIVE SUMMARY**

Vital Records Section birth and death certificate copy fees of approximately \$4,748 were apparently misappropriated and accounting records were falsified. A review of eight one-week periods from October 20, 1986, to March 11, 1988, revealed the \$4,748 shortage. Had additional weeks been reviewed, the amount of the shortage may have been found to be greater. The Department of Health and Hospitals, Division of Health failed to prevent this apparent misappropriation by not performing adequate oversight functions and not establishing other internal controls over the operations of this section.

Birth and death certificate copy fees were collected by the Vital Records Section in person and through the mail. Receipts paid in person were entered into the cash register as collected. Mail receipts were totaled on a calculator and the total was entered into the cash register. However, some mail receipts were misappropriated and the amounts were excluded from the calculator tape total.

This information has been turned over to the Department of Health and Hospitals which has in turn notified the city of St. Louis Office of the Comptroller, Internal Audit Section. The Department of Health and Hospitals should secure the return of the misappropriated funds. In the event the department is unable to secure the return of these funds, the city's bonding company should be contacted.

MANAGEMENT ADVISORY REPORT

**SPECIAL REVIEW OF THE VITAL RECORDS SECTION OF
THE DEPARTMENT OF HEALTH AND HOSPITALS
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT**

The Vital Records Section of the Department of Health and Hospitals is responsible for issuing copies of birth and death certificates. The section is also responsible for collecting and accounting for fees assessed for certificate copies made. The section recorded fees totaling approximately \$299,000 during fiscal year ended April 1987.

The State Auditor was petitioned under Section 29.230, RSMo 1986, to perform an audit of the city of St. Louis, Missouri. During our audit of the Department of Health and Hospitals, we noted discrepancies between dollar amounts collected by the Vital Records Section and subsequently remitted to the City Treasurer. This special review was performed to more fully determine the extent of the apparent misappropriation of funds.

Following are our comments regarding the apparent misappropriation of funds and the section's policies and procedures on the collection of and accounting for certificate copies revenue.

1. Missing Funds

During our review of accounting records in the Vital Records Section, we noted that some receipts had not been deposited. The cumulative shortage for the eight weeks reviewed was at least \$4,748. This apparent shortage went undetected by department officials due to numerous control weaknesses, including a lack of segregated duties, little or no independent review, and a lack of adequate record keeping.

The Vital Records Section of the city of St. Louis, Department of Health and Hospitals, is responsible for issuing copies of birth and death certificates. Individuals must fill out an application providing the department with the information needed to locate the requested record. This application and the fee are given to vital records personnel for processing. Vital Records Section personnel complete applications for requests received by mail. During our review period, the section accepted cash directly from individuals or received the funds through the mail. Funds received in person for copies were recorded by a cash register and the funds were maintained in an unlocked cash drawer. Applications were completed for copy requests received through the mail and a calculator tape of amounts received was prepared. Then, the total on the calculator tape was entered into the cash register and mail receipts were put in the cash drawer. At the end of each day, the cash register tape total was agreed to the actual cash on hand. A remittance was made to the City Treasurer for the total dollar amount recorded on the cash register tape.

We were unable to trace \$4,748 of application fees received by mail to the calculator tape prepared daily or the daily remittance record for the sample of eight nonconsecutive weeks we selected.

Records prior to September 9, 1986, were destroyed and, therefore, we could not perform any audit test for that time period. However, for periods after September 9, 1986, it appears all receipts were not remitted to the city by the Vital Records Section of the Department of Health and Hospitals.

WE RECOMMEND the Department of Health and Hospitals review these situations where funds are missing with the appropriate city officials and take appropriate action to determine the total loss, to identify the perpetrator, and gain restitution of the funds. Should the department be unable to secure the return of these misappropriated funds, the city's bonding company should be contacted. The department should also implement internal controls such as segregation of duties, independent review, and adequate record keeping to safeguard against further loss or misuse of cash.

AUDITEE'S RESPONSE

Pursuant to the recommendations of the State Auditor's office, the city has taken steps to determine the extent of the problem in vital records to ensure it does not recur, and to gain restitution of the funds. Various internal controls have now been instituted. The city police and the Circuit Attorney's office have been contacted and steps are being taken to identify the person(s) who misappropriated the funds and to gain restitution.

2. Vital Records Section's Accounting Controls and Procedures

During our review of controls surrounding the collection and recording of fees for birth and death certificate copies, we noted the following weaknesses which would permit a misappropriation of funds to occur and go undetected:

- A. Money handling and record-keeping duties are not adequately segregated. Money handling and recording responsibilities are assigned to the Vital Records Section supervisor. These responsibilities include handling all mail payments, preparing the calculator tape of mail receipts, reconciling receipts from the cash register tape to money in the register, and preparing the daily remittance to the City Treasurer. Further, we noted no independent review being periodically conducted. Without segregation of duties and independent review, the risk of misappropriated funds is enhanced and the likelihood of missing funds being detected is diminished.

To reduce these risks, controls should be in place which provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. This could be achieved by segregating the functions of handling cash and maintaining accounting records.

- B. Checks are not restrictively endorsed upon receipt. An average of three people handle a check between the time it is received and endorsed. Restrictive endorsements on checks immediately upon

receipt provide more security over funds and help safeguard against loss or misuse of funds.

- C. Applications for certificate copies are not complete. Many instances were noted where the amount and form of payment were not written in the spaces provided on the applications. To provide adequate documentation and facilitate the reconciliation between applications, collections, and deposits, complete records must be maintained.
- D. Differences discovered during reconciliations between receipts per the cash register tape and money in the register are not recorded. Initially, Vital Records Section personnel stated that differences never occurred. However, we performed a cash count and discovered a small difference. Instead of recording the difference and remitting the overage to the City Treasurer, Vital Records Section personnel stated that they would "... lock it up until someone came in to claim it"

Reconciliations are necessary to ensure that amounts collected and deposited agree to the record of collections and that any errors or unusual occurrences are promptly detected. Proper reconciliation procedures require all differences to be documented and investigated.

- E. If copies cannot be made because the requested documents are not on file with the Vital Records Section or an overpayment has occurred, a refund is necessary. Refund procedures are inadequate for the following reasons:
 - 1) Refunds of up to \$3 are mailed in cash. Sending cash through the mail increases the possibility of loss or theft and provides no documentation that the refund was made or received.
 - 2) The Vital Records Section does not have a standard refund form. As a result, there is no documentation to support the reason for the refund being made or support that the transaction occurred. To ensure propriety of the refund transaction, the person receiving the refund should verify receipt of the refund in writing and supervisory authorization should be made in writing.
 - 3) Refunds are handled, accounted for and documented inadequately. As applications are processed, they are consecutively stamped with a number. When a refund is necessary, cash is taken out of the cash register and mailed or given to the applicant and the refunded application is set aside. When a new application for the same amount is taken, it is given the same number as the refunded application and the money is put into the cash register. The transaction is intentionally not recorded. The two unrelated applications are stapled together and the new application is processed in the usual manner. Thus, the only evidence that a refund was made is two identically numbered applications stapled together. Again, there is no documentation of the reason the

refund was made or verification that the applicant received the money.

Because documents are adjusted to make the cash register tape agree to cash in the drawer, it is not necessary to reflect refunded amounts as an adjusting item when reconciling cash receipts. Inadequate refund and reconciliation procedures have several effects. First, excessive handling of cash makes differences more likely to occur because of human error and increased opportunity for theft. Second, because of the inadequate documentation of these transactions and improper reconciliation procedures, unusual occurrences are more difficult to detect and resolve. Finally, these procedures also do not discourage the person performing the reconciliation from altering either records or the amount of cash in order to balance.

Refund procedures should ensure that proper amounts are returned to the appropriate people. This requires refunds to be clearly documented and have supervisory authorization. Receipt of refunds should be verified by the recipient. Also, refunds should be included as an adjusting item in cash register reconciliations so that any differences can be detected and investigated.

WE RECOMMEND the Vital Records Section:

- A. Segregate the duties of handling and recording receipts and making remittances to the City Treasurer.
- B. Restrictively endorse all checks immediately upon receipt.
- C. Ensure all applications are complete. Information recorded should include the receipt amount and whether payment was made in cash or by check.
- D. Perform a reconciliation between the cash register tape and cash on hand, reporting and investigating any differences. All receipts, including overages, should be remitted to the City Treasurer.
- E.1. Discontinue making cash refunds by mail. Any mail refunds should be processed through the Comptroller's office.
2. Implement the use of a refund form on which the reason for the refund is documented and the person can sign upon receipt of the money. In addition, independent supervisory approval should be obtained for all refunds.
3. Attach a copy of the refund form to the application and do not reuse the application number. Refund amounts should be shown as a reconciling item on the daily cash register reconciliation.

AUDITEE'S RESPONSE

The following procedures have been implemented to improve the fiscal operation of vital records.

- A. The duties for handling and recording of receipts have been segregated. There is now a clerical person responsible for balancing the mail, one for completing the subtotals taken twice daily, and an account clerk from the Fiscal Section responsible for balancing the daily receipts and the applications.
- B. With respect to endorsing all checks as they are received, currently, all checks are restrictively endorsed upon receipt either through the mail or across the counter.
- C. All clerks responsible for completing the applications have been instructed on the proper procedure and the applications will be "spot checked" to ensure compliance with these procedures.
- D. A reconciliation between the cash register tape and the applications is being performed by an account clerk from the Department of Health and Hospitals daily and any discrepancies are noted on the cash register tape with any overages being remitted to the City Treasurer. Any discrepancies whether overages or shortages are thoroughly investigated before the receipts are sent to the Treasurer's office.
- E.1. A revised system for refunds is currently being developed with the Comptroller's office which will eliminate mailing cash refunds. The new system incorporates the recommendations of the State Auditor and the Comptroller's office.
- 2. To ensure the propriety of the refund transaction, a stamp was developed to imprint on the original application. The current date, reason for the refund, the signature of the person receiving the refund and the signature of the supervisor or manager, operations is recorded on the application. The application is used as the documentation for the refund.
- 3. Procedures for documenting refunds have been implemented as stated in the audit. Refunds are approved by the supervisor or manager, operations and the application and number are voided and not used again. The refunds are recorded in a journal and reconciled on the cash register tape. The application then becomes the documentation as stated in E.2.

3. Compliance With the Revised Code of the City of St. Louis

Fees charged by the Vital Records Section are mandated by the revised code of the city of St. Louis. The following instances of noncompliance were noted during our review:

- A. Revised code Section 11.62.350 requires the collection of a \$1 fee for a certified statement that no birth or death record is in the city's file. Instead, the Vital Records Section collects a search fee based on the number of calendar years which must be scanned to find the record. According to city records, \$603 was collected as

search fees during the year ended April 30, 1987. The city's revised code does not authorize a search fee to be charged on this basis. It only authorizes the \$1 fee for the certified statement. As a result, the department is overcharging citizens. To ensure legal compliance with the revised code, the \$1 certification fee should be implemented.

- B. Revised code Section 11.62.360 requires the collection of a \$2 fee for registering late births; however, the section does not define "late". Discussion with Vital Records Section personnel revealed that this fee is never charged. There was no indication from our discussions that steps would be taken to implement the late fee. Failure to comply with the code results in forfeited city revenue. The department should seek clarification of the code section and implement the fee structure as required.

WE RECOMMEND the Vital Records Section:

- A. Comply with Section 11.62.350 of the revised code of the city of St. Louis, by eliminating the current search fee and charging the \$1 fee for a certified statement that no birth or death record is on file.
- B. Comply with Section 11.62.360 of the revised code of the city of St. Louis by obtaining a legal interpretation of the section and charging the \$2 fee for late birth registration.

AUDITEE'S RESPONSE

- A. To comply with Section 11.62.350 of the revised code, the Office of Vital Records has eliminated the current search fee and is charging the \$1 fee for a certified statement that no birth or death record is on file.
- B. In response to the second recommendation, Section 11.62.360 does not define "late"; however, the Missouri State Statutes, Chapter 193.105, defines a late or delayed recording as a birth registered one year or more after the birth. Since the Office of Vital Records has an objective of recording 100 percent of the births that occur in the city within one year of birth, delayed recordings are minimized and the collection of this fee is very small. However, if a late recording does occur we will charge the \$2 fee.

Also, with respect to these audit exceptions, management is reviewing the revised code relating to fee structure and is considering making recommendations and requests to appropriate authorities for amending the code.

* * * * *